

Buying and Selling Property with Solar Panels

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Outline

- Ownership of the Solar Facility
- Ownership Pros and Cons
- Other Considerations:
 - Comparable Sales in the Area
 - System Specifications
 - Load and Electricity Specifications
 - Host Characteristics
- Contracts and Agreements to Consider:
 - P&S
 - PPA
 - Lease/License
 - O&M Agreement
 - Mortgage
 - SREC/SMART Agreements
- Does a Solar Facility Increase Property Value?



Owned By the Seller

- Valuation (appraisal) of the System:
 - Consider the value of the system based on electricity savings, current available incentives, and depreciation value.
 - Electricity savings: how much electricity is the System producing and offsetting?
 - MA Incentives (SRECs vs SMART):
 - SRECS:
 - SREC I or II: Solar Renewable Energy Credits:
 - Value of 2019 SREC I is approx. \$0.380-\$0.395/kwh as of 6/3/19.
 - Value of 2019 SREC II is approx. \$0.295-\$0.310/kwh as of 6/3/19.
 - SMART: Solar Massachusetts Renewable Target Program
 - Values range from \$0.15-\$0.30 depending on host/system/off-taker.
 - Depreciation of the System: has the System been depreciated?
 - Consider the O&M expenses as well.

Owned By a 3rd Party

- The Property owner does not own the System
 - Owned by a 3rd Party:
 - Solar developer or company, or an investor.
 - System owner has rights to the rooftop by:
 - Power Purchase Agreement (PPA)
 - Power produced by the System is sold to the host/building/house.
 - Is this agreement transferable and if so what are the criteria?
 - Lease or License:
 - Owner of the System pays rent for the rooftop space.
 - Is this agreement transferable and if so what are the criteria?

Pros and Cons: Seller vs 3rd Party Owner

Owned by Seller

Pros:

- Not committed to a long term lease/license or a PPA.
- No concern of assignment of these agreements to the buyer.
- There is value in the System that can be appraised (as discussed above).

Cons:

- Significant upfront costs, which may not be recouped when selling the host/building/house.
- There may be debt on the System, which would need to be addressed.
- Liable for maintaining the System.

Owned by 3rd Party

Pros:

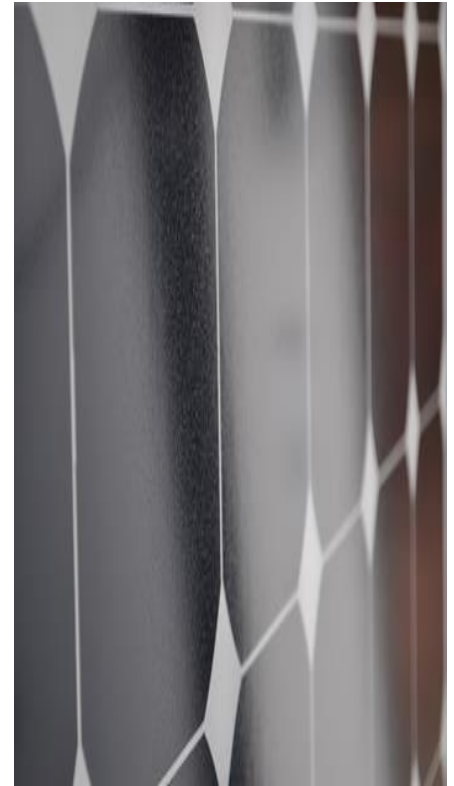
- No upfront initial costs and no debt on the System.
- Usually not liable for maintaining the System.

Cons:

- Committed to a long term PPA, lease, and or license.
- Value of the System is significantly reduced.
- May have to purchase the PPA/Lease/License if selling the host/building/house.
- All agreements need to be assignable to the Buyer.

Other Considerations

- Comparables in the area:
 - Are there any comparable sales in the area where houses have sold with panels thereon?
- System Specifications:
 - Size, Age, Production, Panel and Inverter makes and types?
 - Is there a storage component?
 - Are there warranties on the equipment?
 - Are there existing O&M agreements?
- Load and Electricity Specifications:
 - How much energy/load is used on site?
 - How much of that is off set by the System?
 - What is the current electricity rate, and what is the trend?
- Host Specifics:
 - Rooftop or ground mounted system?
 - Age of rooftop?
 - Curb appeal: Where on the building/house are the panels?



Involved Contracts and Agreements

- PPA
 - Power Purchase Agreements.
- UCPA
 - Utility Credit Purchase Agreements: Net Metering.
- Lease/License
 - 3rd party rights to the rooftop.
- O&M Agreement
 - Operations and Maintenance Agreement.
- Mortgage
 - Is there debt on the System?
- SREC/SMART:
 - SREC Contract with Aggregators of SRECs.
 - SMART 20-year contracts with IOU utility companies.



Does a Solar Facility Increase the Value of the Property?

- It Depends:

- Ownership?
- Is there debt on the System?
- Are there comparable sales in the area?
- What are the specifics of the System: size/age/production/etc.?
- What are the host load and electricity specification?
- What are the host characteristics ?

- In General:

- If the System is not owned by the seller/host, and/or there is significant debt thereon, the System will be valued much less, if valued at all.
- The older the System, the less value it has.

Questions

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